



**REPUBLIC OF KIRIBATI**  
**EUROPEAN COMMISSION**

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**2008 JOINT ANNUAL REPORT**

March 2009

## **I. Executive Summary**

Kiribati is a country of 33 low-lying island atolls spread across the equator in the Central Pacific. The islands are divided into three main groups of islands namely: the Gilbert group, the Phoenix group and the Line group. Over 90 percent of the population lives in the Gilbert group and the rest in the Line group. The Phoenix group is unpopulated and comprise of an unspoilt marine reserve.

Kiribati is one of the least developed countries in the Pacific. It is ranked 11th out of 14 on the Human Development Index (HDI). This poor ranking was attributed to its low per capita income, high rate of morbidity; high infant and child mortality rates and poor access of the majority of its population to clean water. Kiribati has a population of approximately 94,000 with an annual growth rate of 1.8 percent.

Lack of basic services and economic opportunities in the outer islands continues to fuel migration to South Tarawa. This has resulted in overcrowding, poor living conditions and pollution in urban South Tarawa.

Kiribati enjoys a stable political environment. In 2008, Government delivered its Kiribati Development Plan (KDP) for the 2008-11 period. The plan articulates six key policy areas that would guide development efforts within the next four years. These key policy areas were *Human Resource Development, Economic Growth and Poverty Reduction, Health, Environment, Governance, Infrastructure.*

Human resource development continues to be a crucial factor for the achievements of the key policy areas laid out in the KDP. In addressing the issue of unemployment, Government will continue to support vocational trainings and the promotion of seasonal workers for the employment of its nationals in New Zealand and Australia.

The level of the 2008 recurrent budget was AUD 82.6 million, a decline of about 3% from the 2007 budget level. The level of revenue in the same year was AUD 61.8 million. A budget deficit of around AUD 20.8 million had to be met from draw downs from the Revenue Equalization Reserve Fund. Personal emoluments made up the bulk of the expenditures. Major government revenues include import duties, fishing license and income tax.

Government depends heavily on assistances provided by its development partners to support the implementation of activities toward the achievement of the objectives of the KDP, MDG and other commitments imposed through regional and international conventions. Kiribati faced looming food crisis as the price of imported basic food items (very little can be grown on coral islands) soar out of reach of the people. The price of rice has more than doubled in the past six months. Government established a task force in its effort to address the food crisis. In the same year, Government provided a subsidy amounting to AUD 160,115 to mitigate the increase in basic food commodities. Taiwan supported government's efforts in mitigating the increase in food prices by providing cash assistance amounting to AUD \$784,028 and bags of rice worth AUD\$299,430.

Progress on the implementation of the EPA is slow as the Ministry of Commerce Industry & Cooperatives continues to focus its attention on the implementation of PICTA.

Kiribati's isolation and distinct geographical fragmentation pose considerable challenges. Investment will continue to be encouraged for the development of the transport and communication systems. The Development Bank of Kiribati is also considering making a submission to EIB to extend its credit line to support the growth of the private sector.

In terms of the progress made on the implementation of the 10 EDF Country Strategy Paper, Kiribati had developed a National Energy Policy and a plan of actions to advance that policy. Both documents were approved by Cabinet in February 2009. Furthermore, Kiribati is considering developing a National Sanitation Policy within the next 12 months. Improvements were also made to the Fisheries Act to include new penalty provisions that would encourage greater compliance.

## **2. Overview of past and on-going co-operation**

Two projects are currently being supported under the 9th EDF. These are *Improvement of the Outer Island Health Services (9 ACP KI 1)* and *Environmentally Safe Aggregates for Tarawa (9 ACP KI 2)*. The former project is aimed at improving access to health and medical services on the outer islands. The project is currently being implemented by the Fiji School of Medicine. It supports the achievements of the Millennium Development Goals, in particular the reduction of child mortality.

The project on the *Improvement of the Outer Islands Health Services* commenced in mid 2006. Components of the project include training of outer islands health staff, review of the post basic curriculum in midwifery and public health care, organising of training attachment for medical assistants in Fiji and construction of health and dispensary centres on the outer islands. Progress on the implementation of the project was impressive with about 90 percent of the trainings that were planned to be conducted delivered and construction of thirty four health dispensaries completed with sixteen others already commenced.

The NSA component of the Project which is managed by the Kiribati Association of NGOs (KANGO) provides grants to local communities in central and southern Gilberts Islands. These grants were used to support health related activities.

The Financing Agreement for the *Environmentally Safe Aggregates* project was signed in early 2008 with the Contribution Agreement signed by SOPAC in August 2008. Recruitment of a project manager, including the establishment of an in-country office and the procurement of the dredging barge will be carried out at the initial phase of implementation in 2009

EDF projects often face a slow start for various reasons including, among others, low absorptive capacity. Recruitment of a technical assistance to NAO under the 10<sup>th</sup> EDF will help address the problem.

Focal Sectors for the 10<sup>th</sup> EDF are renewable energy and water and sanitation.

The Solar Energy Identification Fiche was approved in November 2008. The project has a value of Euros 4.1 million and is expected to be implemented over a 4 year period. The project will build on the 9<sup>th</sup> EDF Solar Energy for the Outer Islands. The Action Fiche will be

ready for the 2009 Annual Action Plan. The Water and Sanitation Identification Fiche has been developed by the NAO Office in close collaboration with the Ministry of Public Works. It is currently under consideration by the delegation. The project document is planned to be submitted in mid 2009 after further consultations with the Government are completed.

### **Other projects and programmes outside focal sectors**

**STABEX:** The delegation was tasked to investigate proof of evidence on the ground on the implementation of the STABEX consistent with the Framework of Mutual Obligations (FMOs) before this project is closed off. The closure of the STABEX should conform to the provisions of FMO. The NAO was requested to transfer unused funds of Euro 294,852.62 as of 3 October 2008 from STABEX deposited in the ING Brussels to the 10<sup>th</sup> EDF NIP focal sectors.

**Airport Control Tower:** Funded under the 7<sup>th</sup> EDF, progress on the installation of the control tower equipment is still yet to be completed. The delay was caused by the unresolved problem of finalising the service contract with a NZ based firm. Discussions are currently underway between Government and the RAO in Fiji to field the contractor as soon as possible to install the equipment. The delegation had requested the NAO to resolve this quickly. The air-traffic control equipment was delivered on site before the completion of the tower building. The devices are still packed in a container outside the building. This equipment is expected to be installed in 2009.

### **PRIDE**

Five on-going projects are currently implemented through the Pacific Islands Forum Basic Education Action Plan (PRIDE) with funding support from the 9<sup>th</sup> EDF RIP. The projects cover trainings on language teaching, in-service training, in-service training for head teachers and principals, professional teaching standards, teacher competency module, and implementation of sustainable planning process.

### **Other cooperation**

A new 6-year *Fisheries Partnership Agreement (FPA)* was signed in July 2006 and later ratified in 2008. This *Agreement* allows up to 16 European fishing vessels to operate in Kiribati waters. Kiribati is able to benefit from this *Agreement* through EC financial contributions, fishing license fees and the promotion of responsible fisheries activities. The *Agreement* also provides an opportunity for policy dialogue. A technical meeting between the Kiribati Authorities and the Commission was held in South Korea in December 2008. The outcome of that meeting saw the establishment of a joint committee to oversee the enforcement and implementation of this partnership *Agreement*.

### **Coordination with other Donors**

The Ministry for Finance and Economic Development manages and co-ordinates the use of all development assistance flows to Kiribati. A donor roundtable meeting to discuss the Kiribati Development Plan was conducted in May 2008. Development partners that were represented

during the roundtable meeting were Australia, New Zealand, Taiwan, Japan, ADB, EU, World Bank, WHO, Canada, SPREP, SPC, IMF, FFA, PIFS and UN Agencies. EU was not represented at this meeting.

The delegation usually conducts visits to the country six times per year to review the progress on implementing EDF funded projects. During these visits, the delegation usually meets with government and non-government officials and representatives of others donors that have offices in the country to promote coordination and alignment of programmes.

### **Policy Coherence for Development**

Kiribati values its environment. As such, climate change issues are high on the government's priority list. It welcomes EC support toward the Kyoto Protocol. Changing weather patterns have continued to cause long and severe droughts in the islands. Kiribati participated actively during the negotiation of the EU/PIF Joint Declaration on Climate Change during the 2008 Pacific Islands Forum meeting in Niue.

The Global Climate Change Alliance adopted by the EU can further provide opportunities for dialogue and cooperation to support countries in their negotiations on climate change at the international fore.

Kiribati is renowned in conservation after the Phoenix Islands group was declared a protected area, establishing the world's largest marine protected area. The Phoenix Islands protected area - a Sweden-sized ocean wilderness of pristine coral reefs and rich fish populations threatened by over-fishing and climate change- is the last intact oceanic coral archipelago ecosystems.

### Signatures:

The National Authorising Officer



Date:

The Head of Delegation



Date:

15/10/09